Private health insurance in Britain: public opting out of NHS

CHARLOTTE GRAY

Private sector medicine in the UK is booming. More and more of Britain's 54 million citizens are choosing to take out medical insurance or even to face private medical bills rather than rely on the troubled National Health Service. Over 3 million people are covered by medical insurance; others prefer to pay their own way. Half the patients of the largest independent hospital chain are self-financed. The NHS grinds on, providing an excellent emergency service, despite out-dated facilities, union friction, chronically top-heavy administration and inconsistent political direction. But alongside it there is developing an independent medical health service that grew by 18.8% in 1979 alone, and is starting to distort health care in Britain.

Surge in private sector

The reasons for this surge in growth are threefold. First, health service strikes and disruption during the UK's "winter of discontent" in 1979 focused attention not only on the generally sclerotic condition of the service but also on the waiting list for intermediate and minor operations in NHS facilities. In some parts of Britain you must wait 3 years for prolapsed uterus treatment, 2½ years for varicose vein surgery. Dr. David Gullick, secretary of the British United Provident Association (BUPA), Britain's largest health insurance organization, says that although he thinks current estimates of the NHS waiting list — 750 000 and rising — are exaggerated, ironically, the figure is still smaller than the total number of NHS employees. The private sector offers a patient the opportunity to have immediate treatment for elective, non-urgent conditions. Suddenly he or she is no longer a cog in a rundown machine.

Second, private health insurance is becoming part of the British fringe benefit system of payment. With inflation at an annual 18%, making salary and wage increases meaningless, health insurance is a useful bargaining card at the negotiation table. Between 1972 and 1978 the number of employees covered by medical insurance paid for entirely by their employers more than doubled, from just over 220 000 to more than half a million. Over three quarters of a million employees are now covered by some form of private health insurance.

Third, the NHS has always been a battledore between successive Labour and Conservative administrations ever since the late Aneurin Bevan first established it in 1948. The 1974–79 Labour government of James Callaghan was committed to segregating the private sector from the state system by phasing out all the 4444 paybeds within NHS hospitals. This prompted a mushrooming of independent hospitals, which can today accommodate 5400 patients. Mrs. Thatcher's government has halted the abolition that by 1979 had reduced the number of NHS paybeds to less than 3000, and she has shown more sympathy for private practice.

Independent medicine

But private insurance companies are busy securing their independence. Michael Milne-Watson, chairman of BUPA, wrote in his statement in the 1978 Report and Accounts: "At a time when clearly the demand for independent medicine is rapidly growing, a new challenge is presented. In the next few years there must be a massive growth in the provision of good quality beds to meet the demand from BUPA subscribers." Although there is no longer quite the same sense of urgency about ensuring that the independent sector can stand on its own feet, the impetus — and enrolment of new subscriptions to pay for the growth — has not abated. As Dr. Gullick points out: "Our growth curve may flatten slightly in the next couple of years but Margaret Thatcher's general political line is that the citizen must become more self-reliant; the state cannot provide everything. This could well mean that in the future the state concentrates on emergency and chronic cases and the individual deals with his or her own short-term health problems — in the private sector."

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The private health set-up in Britain is not monolithic; individuals may opt to pay for their own medical treatment or may elect to take out insurance coverage with one of nine "provident associations" or two commercial insurance companies. But to most Britons, private health care means the three major provident associations: BUPA, which dominates with 76.4% of the market; Private Patients Plan (PPP) with 19.7%; and Western Provident Association (WPA) with 0.9% (Department of Health and Social Services figures, 1979).

Nationalized health care

The provident associations were established after World War I as small, local self-help organizations for the medical needs of a middle class that found itself squeezed between public hospitals (charitable institutions designed to help the improvident poor) and private nursing homes (which were prohibitively expensive). The 1948 National Health Service Act dramatically changed the position by nationalizing health care and hospitals, but private medicine, against all expectations, continued a steady, though not yet remarkable, growth.

After 1948 most of the associations amalgamated to form BUPA. The London association retained its independence as PPP, and the Bristol association formed itself into a West Country group now known as WPA. Up until about 15 years ago, most subscriptions to these schemes were taken out by individuals to allow them, and their families, the privilege of private care. But the picture is changing. By 1969, 62% of the subscriber population were registered as members of group schemes, and by the end of 1978 that figure had risen to 78%. All three of the main insuring organizations offer substantial discounts to group subscribers. And this is the area of remarkable growth. Christine Lea, BUPA's press officer, says that private medicine is no longer regarded as the luxury option for the privileged and provident few because the presumption that "The Health" will provide is shattered and because group schemes put premiums within most employees' reach. "An individual can buy a health insurance scheme for the same amount he or she spends on cigarettes in a week. Private health insurance is no longer the prerogative of boardroom executives." Subscriptions for group schemes, which the organizations aggressively promote, now account for $220.61 million (81%) of the total $274.56 million subscription income. This type of subscription income is a boon for the provident associations, since it guarantees stable financing. And employers, who foot an increasingly large proportion of the group insurance scheme bills, are allowed to claim against tax for what is considered to be an allowable business expense.

Thatcher: government can't provide everything.

Insurance packages

The three major provident associations offer a wide range of insurance packages, tailored to the needs of different subscribers. The various packages BUPA has developed are similar to those offered by the other associations. The newest scheme is Bupacare, which "makes it possible, in return for a realistic subscription, to protect yourself and your family against the costs of private specialist treatment and hospitalization". Like most schemes, it has been devised on three scales that relate to present NHS paybed charges. London scale — the most expensive — covers NHS London postgraduate teaching hospital accommodation; National Scale covers NHS provincial teaching hospitals; General Scale covers NHS general hospitals. Premiums vary according to which scale subscribers choose, their age and the number of dependents. A married man aged 45 with a family would pay an annual $694.82 on the London scale. On the general scale he would pay $456.45. For this, he and his family would also receive full refunds for operating room fees, surgical dressings, or a cash benefit if the patient undergoes regular NHS treatment without making a claim on his BUPA coverage.

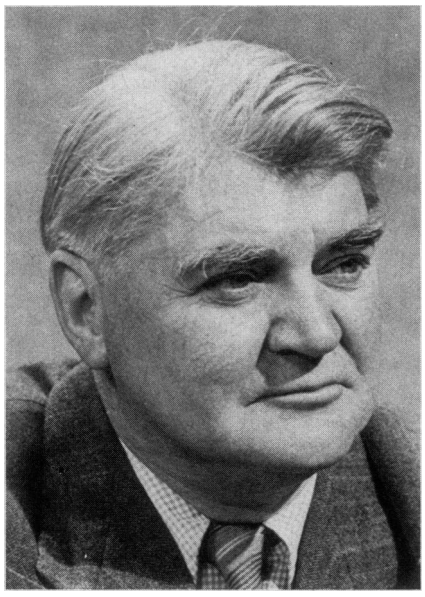
The equivalent PPP package, PPP Master Plan, offers individuals the same benefits for similar subscriptions.

Group schemes

BUPA also offers a CompanyCare group scheme, designed to cover groups of between 5 and 50 people, and Bulk Protection schemes for groups of 50 or more: between them they cover 430 000 employees. Under both schemes there are two premium levels, one for the London teaching hospitals and one for provincial hospitals. The advantages of a group scheme are considerable: normal BUPA membership for provincial teaching hospitals for a family with a subscriber aged 30 to 49 would cost $537.64. If the subscriber were in a group covered by CompanyCare the cost would be $334.75 for the whole family. And the larger the group, the lower the premium. Last year IBM introduced a BUPA bulk protection plan for its workforce of 13 500 plus their families, for which the company pays a premium of $137.80 per employee.

PPP and WPA both offer a single company scheme, for five or more individuals. PPP's Company Master Plan covers 250 000 employees and WPA's Supercover covers around 26 000.

What do subscribers get for the premiums paid either by their companies or themselves? Not a total



Aneurin Bevan fostered NHS in 1948.

health service. Medical insurance schemes do *not* cover general practice, dental care or optical treatment, cosmetic surgery or long-term residential care, or any costs arising from a normal pregnancy or birth. So the different companies don't really offer the opportunity to opt out of the National Health Service altogether, especially since in the NHS the general practitioner acts as the gateway to all other medical and hospital services. In Britain you cannot make your own arrangements to see a specialist; your GP must refer you to him.

Once you have passed through the gate and reached the consultant's office, however, you will be covered by medical insurance for all subsequent costs — and will be able to enjoy prompt treatment, a choice of hospital or specialist, a private room, probably with telephone and private bathroom, and unlimited visiting. "Senior managers in 90 out of Britain's top 100 companies are covered by BUPA," says Ms. Lea. "It makes sense for them to be able to schedule medical treatment to suit business commitments; after all, the chief accountant doesn't want to disappear for a hernia operation he's waited 2 years for just when end-of-year accounts are due."

These days it is increasingly likely that the accountant's hernia will be repaired in one of the new independent acute surgical hospitals that are springing up in Britain, rather than in a private bed within an NHS building. At the moment there are 126 private hospitals of which 30 are operated by the Nuffield Nursing Homes Trust, founded by BUPA in 1957. BUPA itself has three hospitals, in Manchester, London and Llandudno. Says Dr. Gullick: "We plan to provide another 1000 to 1500 beds within private hospitals in the next 5 to 10 years. And we're not the only people building hospitals. Two big American hospital companies are busy providing private beds — and, unlike us, they are interested in a return on capital."

The existence of this booming private health service in Britain is an emotional issue, criss-crossed with political and ideologic currents. Opposition to private health care is based on the argument that treatment should be related to patients' needs, not their ability to pay. The Labour Party in Britain argued throughout the '70s that the private sector not only destroys the principle of the NHS, and morale within it, by creating a privileged class of patients, but also acts as a drain on the already restricted resources on NHS manpower and training. Doctors and nurses are trained at public expense and should not be siphoned off to a gilt-edged private service, in which those who can afford private coverage can queue-jump.

Buying out

This view was clearly expressed by Stanley Orme, the Labour Party health spokesman in the major House of Commons debate on Tory health service policy last December. He argued passionately that: "The basic principle we start from is to see a service available to the whole community. Once you allow people to buy themselves out, then the pressure to improve the NHS . . . is weakened."

The other side of the debate was voiced by Patrick Jenkins, Mrs. Thatcher's social services secretary, who had already told NHS administrators that they must freeze spending. He made two points, the first philosophic and the second financial. First he suggested that it is part of a free society that patients who wish to seek private medical treatment, and doctors who want to practise privately, should be free to do so. And he went on to point out that private patients within NHS hospitals were expected to bring in $91 million in 1980. "When NHS spending is under restraint," he said, "it is folly to throw good money away." In addition, every patient treated in private hospitals was one less in the NHS queue.

Prefer private medicine

Whatever the principles involved, private sector supporters constantly refer to a national opinion poll conducted in 1979 that showed that 6 out of 10 employees said they would be interested in private medical insurance as a job benefit. Conflicting attitudes within the trade union movement were illuminated in a flare-up at last year's Trades Union Congress conference over a deal providing private health care that a powerful electrical engineers' union had negotiated. Union representatives of NHS employees introduced a resolution condemning such agreements. Bernard Dix, assistant general secretary of the National Union of Public Employees, said angrily, "As far as we are concerned, we do not care how you buy the health privilege: whether you are an oil sheik or a union negotiating for the privilege, we want it out."

British physicians are wary of commenting on the growth of the private medical sector; like their colleagues in Canada they recognize the risk of looking like buck-grubbing businessmen preoccupied with purses instead of patients. A spokesman for the BMA told me elliptically, "Doctors consider that it is up to individual patients how and whether they choose to pay for treatment; medical insurance is not the doctor's business." But whether the patient gets her gall bladder removed within a week or 18 months is likely to be of some medical concern. And even a few private patients can make a big

difference to income. Undoubtedly some of the UK's approximately 17 000 consultants, such as surgeons, anesthetists and gynecologists, do very well out of private medical insurance, while others, such as pediatricians and psychiatrists, rarely see private patients. Dr. Gullick, himself a retired GP, notes that "Private practice is a necessary stimulant to some doctors; if they were put on salary and not allowed to face the challenge of attracting patients they might opt out of the NHS altogether and leave the country."

Labyrinthine bureaucracy

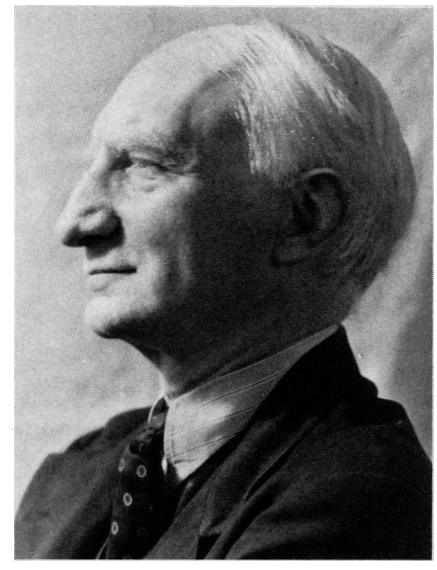
But rumbles of discontent within the profession are audible. The NHS, with its labyrinthine bureaucracy, has proved heavy-going both for doctors and patients. Thirty-two years after its foundation it has visibly failed to deliver the goods — better national health or the replacement of Dickensian hospitals. A new generation of doctors within the NHS is disillusioned with its performance and unconvinced that its problems are all due to lack of cash. *Faute de mieux* many accept if not welcome the development of a private sector that works.

As the BMA spokesman put it: "We are concerned about the maintenance of the NHS structure. If the private sector collapses for whatever reason, will there still be public facilities for the patients?"

Britain's health service is now two tier in two senses. First, those who opt to pay privately, or to take out medical insurance, have access to better health care facilities. And second, the private sector now provides services that the NHS cannot afford. Both BUPA and PPP are sponsoring medical research and development and providing screening lines that emphasize health prevention and education.

A BUPA medical centre in London boasts not only a spiffy CT scanner, to which NHS doctors frequently have to refer their patients when there is no NHS scanner available, but also a behavioural science unit for counselling on stress and lifestyle problems. David Burns, the psychologist who set up the unit last year, explained why it is unique. "To get this kind of counselling within the NHS you have to define yourself as a patient. I'm seeing people who are fully competent, healthy, successful problem-solvers who find themselves under such pressure that they need reassurance that they're not losing their marbles. They'd never get to an NHS psychologist." Charges for screening checks, clinic visits or attendance at Burns' unit are not covered by BUPA, but this did not deter the 30 000 men and women who visited BUPA medical centres last year. Spearheaded by BUPA, the private health sector in Britain is steadily blossoming into a full and independent medical service, the demand for which seems to be growing as fast as the facilities.

But if the private sector blossoms, will the NHS shrivel? ■



Lord Beveridge: architect of NHS

CMAJ retrospect

"Frequently we read in our *Canadian Medical Association Journal* of someone stating that state medicine is being considered carefully, but the problem is very involved and much data are being assembled and viewed from all angles.... Delightfully vague!

It is quite generally recognized that the public desire a change from the present system, and are looking favourably on a state system.... I have found, in Alberta, many country practitioners fully in favour of state medicine, or any other system rather than the present one. The cause of their dissatisfaction is insufficient remuneration for their work.

My observations among the city doctors... lead me to believe that they are quite opposed to any form of state medicine. These are the men from whom are usually chosen the executives of our medical societies ... which may account for the organized medical bodies not taking a definite stand on the matter." — (correspondence) *CMAJ*, March 1932